
Audit of State Payments to Child Care Providers

Report Number:	1006484
Objective:	Are providers being overpaid for child care services?
Summary:	<p>The Working Connections Child Care Program overpaid providers more than \$2.6 million. The legitimacy of an additional \$241,000 in payments is questioned.</p> <p>In April 2011, the number of families on the waiting list for the Working Connections Child Care Program was 3,295. Overpayments decrease the amount of resources available for eligible recipients.</p> <p>Since the Working Connections Child Care Program is partially funded by federal dollars, the U.S. Department of Health and Human Services could recoup overpayments by the state.</p>
Recommendation:	<p>The auditors recommended that the Department of Social and Health Services (DSHS) and Department of Early Learning (DEL):</p> <ul style="list-style-type: none">• Pursue collection of identified overpayments made to child care providers.• Follow up on provider licensing violations that were identified.• Establish and follow internal controls to ensure documentation regarding registration fees is obtained and reviewed before payment is authorized.• Ensure that they follow a new state law regarding tracking child care attendance by designing effective internal controls to prevent overpayments.
Agency Response:	<p>As the audit acknowledged, it takes significant time and resources to reconcile attendance records to invoices, and that must be balanced with the primary licensing focus of ensuring the safety of children while in care. However, licensors will be notified when specific issues arise in a time and attendance audit, so they may follow up with a licensing complaint inspection.</p> <p>A new law enacted in 2011 requires DEL and DSHS to identify different options to track subsidized child care attendance by December 31, 2011. Because of a conflict between this law and the budget bill, funds have not been released to begin implementation of a new attendance tracking system. The tentative date for funds to be released is June 2012. Plans call for the new system to incorporate internal controls to assure program integrity. This solution, when implemented, holds the greatest promise for preventing fraud and abuse.</p> <p>The majority of overpayments noted in the audit reflect the 3-month review of records conducted by the auditors (February – April 2010). The vast majority of the calculated overpayments (\$2.0 million of the \$2.6 million total overpayments) are from a 7-year extrapolation based on one provider's failure to produce records for that period. This case is being thoroughly investigated by the Departments.</p> <p>Additionally, the DSHS Office of Fraud and Accountability and its Economic Services Administration, with assistance from DEL, initiated action to recover more than \$426,000 in overpayments from 19 providers identified in the audit. Another 10</p>

Status of Statewide Accountability Reports

December 2011

providers are under review for possible criminal action. More recoveries could be made based on the outcome of ongoing investigations.

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